



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-1000

26 JUN 1998

MEMORANDUM FOR DISTRIBUTION

Subj: POLICIES AND PROCEDURES FOR QUARTERLY REPORTING **OF** ALL  
SEVERABLE SERVICE CONTRACTS THAT CROSS FISCAL YEARS AND DO  
NOT EXCEED ONE YEAR IN LENGTH

Ref: (a) FY 1998 National Defense Authorization Act--P.L. 105-85

Encl: (1) Format for Quarterly Report of Severable Service  
Contracts

By Section 801 of reference (a), Title 10 United States Code (USC) 2410a authority was expanded to include all severable service contracts that cross fiscal years and do not exceed one year in length. The Department of Defense is required to report all contracts let under this authority to the congressional defense committees for Fiscal Years (FY) 1998 and 1999.

Department of the Navy activities are required to submit enclosure (1) following each calendar quarter of FY 1998 and 1999. The quarterly report is due on 31 January, 30 April, 31 July, and 31 October of each fiscal year. The initial report for FY 1998 should include the period 1 October 1997 to 31 March 1998.

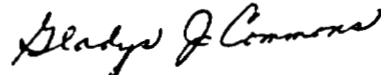
Enclosure (1) must be filled out in its entirety to include:

- a. the total amount and appropriation(s) obligated for each contract,
- b. the type of service procured by each contract,
- c. the date awarded, date started, and anticipated completion date for each contract, and
- d. the reason(s) why authority to cross a fiscal year was required for each contract.

Additionally, activities entering into severable service contracts that cross fiscal years and do not exceed one year in length should annotate each contract with the following: "This is a severable service contract and special reporting requirements exist under 10 USC 2410a."

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Submit quarterly reports to the Office of the Assistant  
Secretary of the Navy (Financial Management and Comptroller),  
Attention FMO-111, 1000 Navy Pentagon, Washington, DC 20350-1000.  
Questions may be addressed to Ms. Ramona Jones, FMO-111,  
202-685-6710 or DSN 325-6710, email:jones-ramona@fmogw.dipcw.disa.mil.



**GLADYS J. COMMONS**  
**Assistant Secretary of the Navy**  
**(Financial Management and Comptroller)**  
**Acting**

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## FORMAT FOR QUARTERLY REPORTING OF SEVERABLE SERVICE CONTRACTS

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## H.R.1119

### National Defense Authorization Act for Fiscal Year 1998 (Enrolled Bill (Sent to President))

#### Subtitle A—Amendments to General Contracting Authorities, Procedures, and Limitations

### SEC. 801. EXPANSION OF AUTHORITY TO ENTER INTO CONTRACTS CROSSING FISCAL YEARS TO ALL SEVERABLE SERVICE CONTRACTS NOT EXCEEDING A YEAR.

(a) EXPANDED AUTHORITY- Section 2410a of title 10, United States Code, is amended to read as follows:

#### Sec. 2410a. Severable service contracts for periods crossing fiscal years

‘(a) AUTHORITY- The Secretary of Defense, the Secretary of a military department, or the Secretary of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy, may enter into a contract for procurement of severable services for a period that begins in one fiscal year and ends in the next fiscal year if (without regard to any option to extend the period of the contract) the contract period does not exceed one year.

(b) OBLIGATION OF FUNDS- Funds made available for a fiscal year may be obligated for the total amount of a contract entered into under the authority of subsection (a).’,

(b) CLERICAL AMENDMENT- The item relating to such section in the table of sections at the beginning of chapter 141 of such title is amended to read as follows:

‘2410a. Severable service contracts for periods crossing fiscal years.’.

### SEC. 802. VESTING OF TITLE IN THE UNITED STATES UNDER CONTRACTS PAID UNDER PROGRESS PAYMENT ARRANGEMENTS OR SIMILAR ARRANGEMENTS.

Section 2307 of title 10, United States Code, is amended--

(1) by redesignating subsection (h) as subsection (i); and

(2) by inserting after subsection (g) the following new subsection (h):

(h) VESTING OF TITLE IN THE UNITED STATES- If a contract paid by a method authorized under subsection (a)(1) provides for title to property to vest in the United States, the title to the property shall vest in accordance with the terms of the contract, regardless of any security interest in the property that is asserted before or after the contract is entered into.’.

Title VIII--ACQUISITION POLICY, ACQUISITION MANAGEMENT,  
AND  
RELATED  
ITEMS OF SPECIAL INTEREST

Cost accounting standards board

The conferees believe that much progress has been made over the past several years to bring needed reform and streamlining to the federal acquisition process. However, the conferees noted that concerns have been raised that the cost accounting standards governing the allocation of direct and indirect costs on government contracts, as promulgated by the Cost Accounting Standards Board (CAS) are an impediment to acquisition streamlining.

The conferees endorse the House report (H. Rept. 105-132) which requires the General Accounting Office (GAO) to conduct study that would analyze and assess the mission of the CAS Board. The conferees believe that such a study, in which all views are represented, would help the Congress to determine the best way to balance the interest of taxpayers and the need for greater acquisition streamlining.

LEGISLATIVE PROVISIONS ADOPTED

Subtitle A - Amendments to General Contracting Authorities,  
Procedures, and Limitations

Expansion of authority to enter into contracts crossing fiscal years to all severable service contracts not exceeding a year (sec. 801)

The House bill contained a provision (sec. 802) that would broaden the current limited authority of the Department of Defense to expend appropriated funds for severable service contracts that cross fiscal years.

The Senate amendment contained a similar provision (sec. 803).

The House recedes with an amendment clarifying that the current authority of the Coast Guard to expend funds for such contracts intended to be unaffected by the provision.

The conferees direct that the Secretary of Defense review the Department's operations under this provision and no later than 30 days after the end of both fiscal years 1998 and 1999 submit reports to the congressional defense committees containing the following information for each fiscal year.

- (1) the total amount and sources of funds obligated under the provision;
- (2) the types of services procured under the provision;
- (3) when the services were ordered and when provided; and
- (4) the reasons in each case why the authority under the section was required to be used.

A copy of each report shall be provided simultaneously to the Comptroller General,

No later than 180 days after receipt of the report of the Department of Defense for fiscal year 1999, the Comptroller General shall submit a report to the congressional defense committees addressing: